



NEWS RELEASE

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WESTERN DISTRICT OF MISSOURI

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MAY 10, 2006

FOR IMMEDIATE RELEASE

DRUG COMPANY PAYS \$2 MILLION FORFEITURE

KANSAS CITY, Mo. – Bradley J. Schlozman, United States Attorney for the Western District of Missouri, announced that an Illinois corporation has agreed to pay a more than \$2 million civil forfeiture under a stipulation signed today.

“This case shines a light on a little-known aspect of marketing prescription drugs,” Schlozman said, “a secondary market that needs to be reformed to protect the American public against unscrupulous wholesalers who introduce counterfeit, stolen and illegally diverted drugs into the national distribution system. Thankfully, as a result of this and other cases, significant reform is now occurring.”

H.D. Smith Wholesale Drug Company, a privately held Illinois corporation, agreed to pay a \$2,195,000 civil forfeiture to the federal government. **H.D. Smith**, the fourth largest drug wholesaler in the United States, was among three businesses and 11 individuals involved in the pharmaceutical wholesale distribution industry who were indicted by a federal grand jury on Dec. 13, 2005. The federal indictment alleged that co-conspirators participated in a \$42 million dollar conspiracy to sell counterfeit, illegally imported and misbranded Lipitor and other drugs.

On May 5, 2006, the United States asked the court to dismiss the federal indictment against **H.D. Smith**. The court order states that, while the conduct charged against the company was not limited to the acts of a single employee, the company’s management did not pervasively engage in misconduct and has instituted an internal compliance program. The government also advised the court that **H.D. Smith** has disgorged itself of all profits related to the criminal case, which was done in the \$2,195,000 civil forfeiture filed today. No officers or employees of **H.D. Smith** have been indicted individually in the conspiracy.

Under the terms of today’s stipulation, **H.D. Smith** neither admits nor denies that the money being forfeited was derived from the proceeds of trafficking in counterfeit prescription drugs as alleged in the indictment. However, **H.D. Smith** does not contest the government’s

allegation that the funds are derived from trafficking in counterfeit prescription drugs.

The secondary wholesale drug market, Schlozman explained, has been widely recognized as an entry point for counterfeit and illegally diverted prescription drugs. “This was a weakness in the system,” Schlozman said, “because it created opportunities for unscrupulous wholesalers to illegally exploit the market by resorting to fraud and misrepresentation when buying or selling a drug. Many drug manufacturers have recently instituted changes in their distribution systems and now require wholesalers to warrant that the wholesaler will only buy directly from the manufacturer, thus erasing much of the secondary wholesale drug market.”

According to Schlozman, **H.D. Smith** has withdrawn from, and pledged to no longer participate in, the secondary wholesale drug market.

This case was handled by Senior Litigation Counsel Gene Porter and Assistant U.S. Attorney Curt Bohling.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at
www.usdoj.gov/usao/mow/index.html